The Economic Review

Newfoundland and Labrador

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Finance

November 2004

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The Economic Review is published annually by the Government of Newfoundland and Labrador under the authority of: The Honourable Loyola Sullivan, Minister of Finance and President of Treasury Board. All data is current as of October 25, 2004.

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The Economic Review is also available on the internet at the Government of Newfoundland and Labrador's web site:

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ISSN 1208-9982

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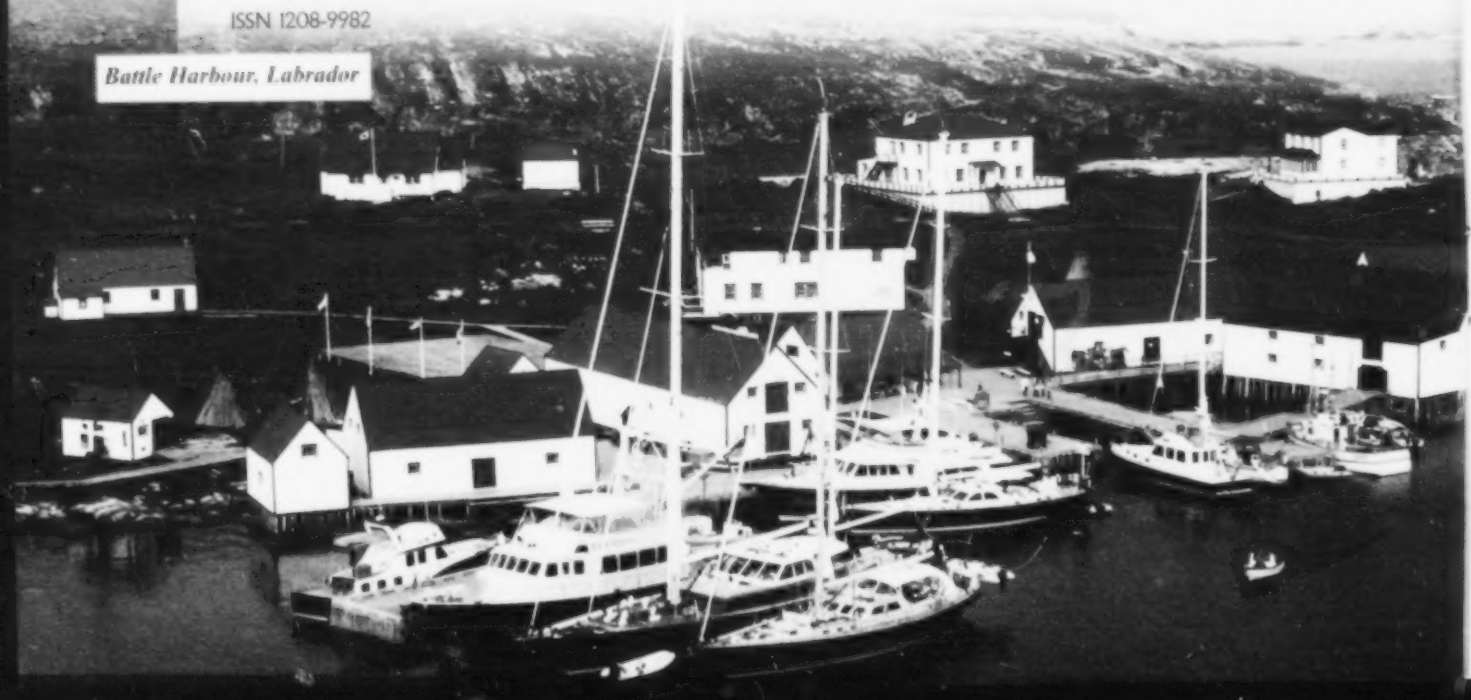


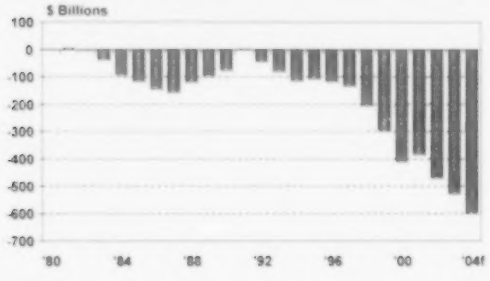
Battle Harbour, Labrador

United States and Canadian Economies

United States

The U.S. economy continued its expansion into the first half of 2004, after posting solid growth last year. Real GDP increased by 4.5% and 3.3% in the first and second quarters respectively, led by business investment and export growth along with increased consumer and government spending. Low interest rates, productivity improvements, higher profit levels, a lower U.S. dollar, and the residual stimulus from last year's tax cuts provided the impetus for economic growth. Labour markets finally showed signs of improvement with employment up 0.9% during the first nine months and the unemployment rate declining to 5.4% in September—down from 6.1% a year earlier.

U.S. Current Account Balance



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Economic Research and Analysis Division, Department of Finance

The expanding economy combined with rising core inflation prompted the Federal Reserve Board to begin raising interest rates in late June. In recent months, however, record high oil prices and a depreciating U.S. dollar in reaction to a record current account balance are slowing economic growth. As a result, further interest rate increases may be put on hold in the short-run as GDP growth trends to non-inflationary levels.

Nevertheless, with interest rates near record lows and the world economy expanding at a record pace, most forecasters are predicting U.S. GDP growth of 4.3% this year and 3.5% in 2005.

Canada

The Canadian economy continued to grow into the first half of 2004. Recent growth was broad based—led by exports and business investment and helped along by consumer and government spending. The strong U.S. economy, in combination with rising commodity prices, boosted exports while low interest rates, growing profits and lower import prices for machinery and equipment created a favourable environment for business investment. Real GDP grew by 3.0% and 4.3% in the first and second quarters respectively. Labour markets continued to improve with employment up by 1.8% during the first nine months of this year. The seasonally adjusted unemployment rate declined to 7.1% in September from 7.9% a year earlier.

A growing economy, which is now operating near full capacity, and rising core inflation prompted the Bank of Canada (BOC) to start raising interest rates early in September. The BOC raised rates again on October 19th and further increases are expected over the next 18 months as the Bank attempts to control inflation.

Higher interest rates, increased oil prices and an appreciated Canadian dollar (over 80 cents US at the time of writing) are all factors which may restrain economic growth in the coming months. However, the positive effects of high commodity prices, a booming world economy, and strong employment gains should be enough to keep the economy growing at a solid pace. Most forecasters expect real GDP growth to average roughly 3.0% in both 2004 and 2005.

Despite the rosy prospects for the U.S. economy over the next few quarters, most economists continue to express concern over the country's record current account deficit. A country's current account deficit represents borrowing from foreigners to finance current spending. If a current account deficit continues for too long, foreign investors eventually begin to lose confidence and start withdrawing their money from the country. If this process occurs gradually over an extended period of time the impacts on economic growth are spread out and there are no major negative impacts. However, past experiences with current account deficits in many countries around the world have resulted in rapid changes in investor confidence and sharp depreciation of a country's currency.

A sharp depreciation of the U.S. dollar in response to its growing current account deficit could result in a major slowdown in the U.S. economy. This would have significant implications for the Canadian and Newfoundland and Labrador economies since the vast majority of our exports go to that country. In Newfoundland and Labrador's case, markets for newsprint, iron ore, fish and oil could be negatively impacted and thus the U.S. current account deficit remains a significant risk to provincial economic growth over the medium term.

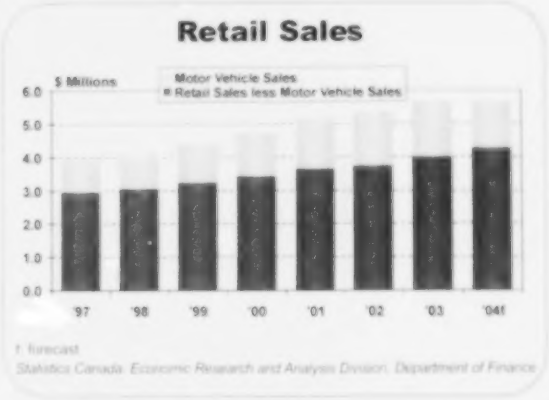
Provincial Economic Overview

2004 Performance

Economic activity is expected to slow this year from the rapid pace set in the previous several years. Real Gross Domestic Product (GDP) is forecast to grow by 1.3% in 2004, unchanged from the March forecast. Growth will stem primarily from business investment, with consumer spending contributing as well.

Investment is forecast to grow by 10.5% this year, to reach $4.2 billion dollars. Spending will be buoyed by the White Rose and Voisey's Bay developments. Investment on White Rose is expected to be about $550 million and spending on Voisey's Bay should approximate $450 million. Additionally, the local content on these two projects will be higher this year, creating more economic activity.

Consumer spending growth has continued in 2004, albeit at a much weaker pace than in prior years. Retail sales (which account for about 55% of consumer spending) totalled $3.7 billion in the first eight months, a decrease of 0.6% compared to the same period in 2003. One of the main reasons behind weaker sales this year is a decline in new and used car sales, which typically comprise about 30% of the total value of retail sales. However, it should be noted that the value added content of car sales is not large (especially new cars) and consequently the impacts on total GDP are not as significant as might be indicated by the decline.



The number of new cars sold in the first eight months of 2004 was down 12.6% compared to the same period in 2003. Car sales in 2004 have been negatively impacted by a number of factors including: relatively high gasoline prices; a cautious market resulting from a number of labour disputes; and strong car sales in the last 2-3 years which may have satisfied a significant amount of the demand within the local market.

Economic Indicators

(Annual % change unless otherwise indicated)

	2003	2004f	2005f	2006f	2007f
Gross Domestic Product					
Nominal	8.8	8.8	-6.6	5.3	-0.2
Real	6.5	1.3	-0.9	4.6	2.1
Personal Income					
Nominal	3.7	2.7	2.4	2.5	2.9
Real	0.8	0.9	0.8	1.3	1.3
Personal Disposable Income					
Nominal	4.1	2.8	2.3	2.5	2.9
Real	1.2	0.9	0.8	1.3	1.3
Retail Sales					
Nominal	5.8	0.2	1.5	1.3	1.8
Real	4.1	-0.4	0.3	-0.1	0.2
Housing Starts	11.3	0.3	-10.4	-7.4	-1.2
Employment	1.8	1.4	0.6	0.2	0.4
Labour Force	1.6	0.9	0.3	0.1	0.2
Unemployment Rate (%)	16.7	16.3	16.0	15.9	15.8
Population	-0.2	-0.3	-0.2	-0.2	-0.2

f: forecast, Department of Finance, October 2004

Department of Finance; Statistics Canada

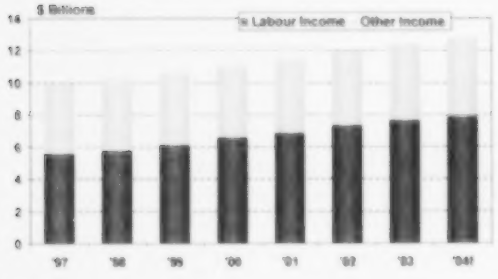
Real exports are expected to decline slightly this year due to lower oil and iron ore production. Oil production is projected to decline by 2.9% as Terra Nova output falls due to gas compression issues and facility repairs. Iron ore output is expected to fall by 23% as production at both iron ore producers was disrupted by lengthy strikes.

Labour Markets

Employment is forecast to increase by 1.4% this year to reach an average of 220,900. As well, the unemployment rate is expected to decline slightly to 16.3%.

On a year-to-date basis, employment has averaged 1.5% higher than 2003 with growth stemming primarily from the goods sector. This represents a change from recent years when growth was concentrated in the service sector and is reflective of the strength of the construction industry and the solid performance of the fishing industry.

Personal Income



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Statistics Canada, Economic Research and Analysis Division, Department of Finance
Note: Other income includes investment income, income of self-employed and transfer income.

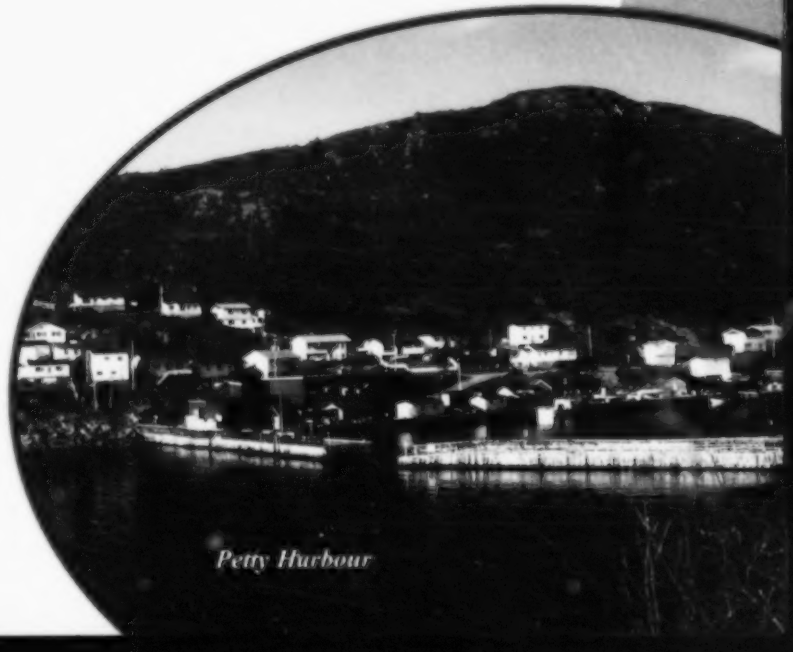
The labour force has grown in tandem with employment growth, albeit not quite as strong. The average number of persons either working or looking for work increased by 0.9% in the first nine months, indicating continued confidence in the economy. Because employment growth outstripped labour force growth, the average unemployment rate declined by 0.5 percentage points.

Wages have also increased this year. Average weekly earnings (including overtime) have increased by 2.3% during the first seven months of the year. Increased employment and wage gains have been reflected in labour income. Labour income, a key component of personal income, totalled $3.6 billion in the first six months of 2004, 3.8% higher than the same period in 2003. After accounting for inflation, labour income grew by 3.1% in the first half. Personal income is forecast to increase by 2.7% this year (0.9% in real terms).

On a year-over-year basis, the Consumer Price Index (CPI) averaged 1.4% higher in the first eight months of 2004. For the year as a whole, inflation is expected to average about 1.8%. While inflation for the first eight months was quite moderate, it has been creeping upwards since May, reflecting the impact of higher oil prices. The pros and cons of high oil prices are discussed on page 5.

2005 and Beyond

Development and production schedules of major projects will continue to have a significant influence on economic growth over the next several years. Also, changes in the production profiles of major projects, in particular Terra Nova, explain, for the most part, revisions in the economic forecast from March to October. Real GDP is expected to contract in 2005 primarily as a result of declining oil production and from the winding down of construction work on the White Rose and Voisey's Bay projects. Growth is forecast to resume in 2006 as both White Rose and Voisey's Bay commence production. Growth is also expected in 2007 as a result of further export gains.



Petty Harbour

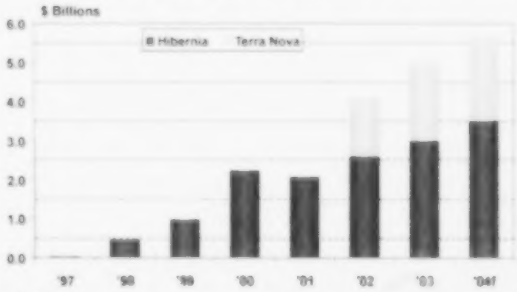
Oil and Gas

Offshore Production

After six years of rising oil production, output in 2004 is expected to decline by 2.9% to 119.4 million barrels, unchanged from the March forecast. However, significantly higher oil prices will result in the value of production increasing by over 15% to an expected $5.7 billion in 2004.

Total oil production in the first eight months of 2004 is down 1.9% to 80.6 million barrels, as a result of lower production from Terra Nova. Terra Nova production of 30.8 million barrels in the first eight months of 2004 was down 4.8% from the same period in 2003. Gas compression issues and facility repairs restrained production during the year. Hibernia production of 49.8 million barrels in the first eight months of 2004 was on par with production in the same period in 2003.

Value of Oil Production



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Department of Natural Resources, Economic Research and Analysis Division
Department of Finance

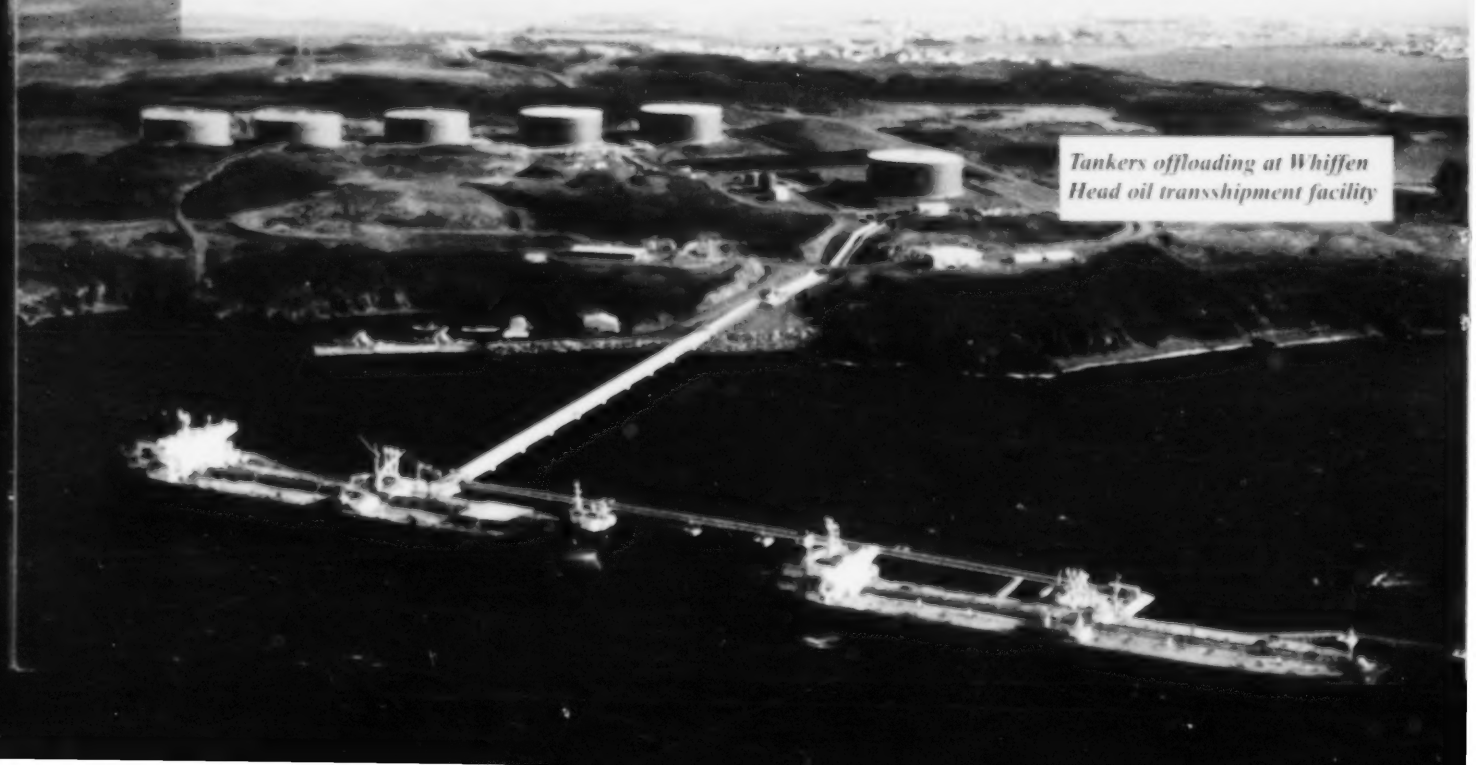
White Rose

Significant progress is being made on the province's third major oil development. The majority of the work in 2004 is associated with continued drilling of development wells, field integration of the subsea production system, and topsides construction and integration of the *SeaRose FPSO*. The heavy-lift campaign for the topsides modules was completed ahead of schedule on July 31, 2004 with ongoing work focusing on the integration of all the topsides into one functioning unit. This integration work is expected to continue until the third quarter of 2005 when the FPSO is scheduled to leave for the White Rose field for testing. There are currently close to 2,000 people in this province working on the White Rose project, including: people in engineering/project management in St. John's; electrical module preparation in Bull Arm; and fabrication and other related work in Marystown.

The project operator, Husky Energy, expects production to begin in late 2005 or early 2006. White Rose will add almost 34 million barrels of oil to provincial annual output, at peak production.

Exploration

The majority of current exploration activity is related to the collection of seismic data. A significant 2-D seismic program is currently ongoing in the relatively unexplored Laurentian Sub-Basin which is to be followed by 3-D data collection next summer. These



Tankers offloading at Whiffen Head oil transshipment facility

seismic programs are laying the groundwork for future exploration drilling in the Sub-Basin, which is expected to occur in late 2006 or early 2007.

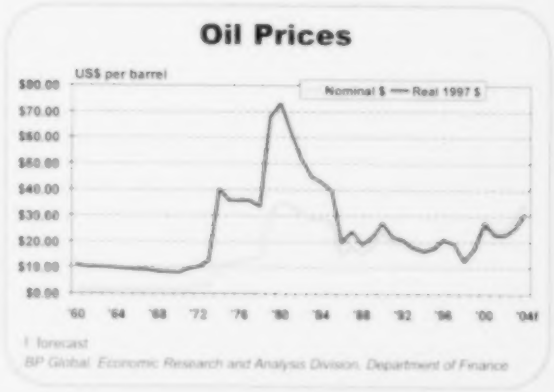
Husky Energy plans to conduct an exploration program on its Lewis Hill prospect in the South Whale Basin sometime in 2005. Other future exploration drilling will likely take place in deep water, as the industry has recently shown considerable interest in these areas. Petro-Canada has announced that one of its next areas of interest is the Salar Basin which is located southeast of the Jeanne d'Arc Basin in water depths of up to 1,500 metres. Exploration drilling in this area is not expected until 2005 or 2006.

The record land sale of 2003 signaled that there is still significant interest in the province's offshore. Almost $673 million in work expenditures was committed, bringing total outstanding work commitments in the offshore to over $960 million. These commitments are spread over 36 licences which have varying expiry dates spanning the next five to six years. As a result, the province could see as many as 10 wells drilled over the next several years.

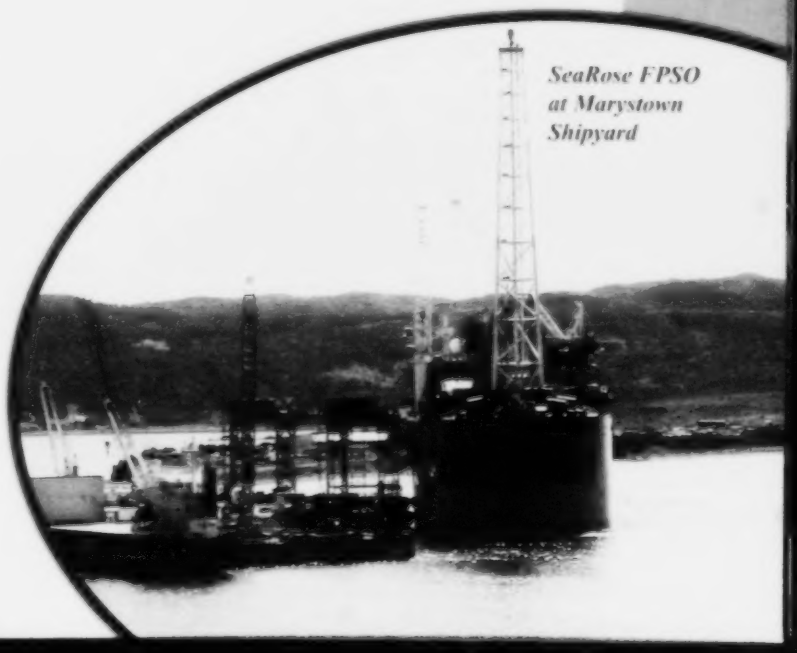
Oil Prices

No story in the oil industry in 2004 has garnered more newspaper headlines recently than rising oil prices. World oil prices have shown considerable momentum, with the price of Brent crude oil growing by 27% to average US$36.29 per barrel in the first nine months of the year. Prices rose steadily throughout the year, and were more than US$50 per barrel at the time of writing. The price of oil is now expected to average almost US$38 per barrel for the year. In nominal terms, year-to-date prices are exceeding previous peaks recorded in the early 1980s. Adjusted for inflation, real prices in 2004 are about half of what they were in the early 1980s but are the highest they have been since the mid-1980s.

The steep and rapid rise of oil prices are of concern to economic forecasters because a sustained increase could significantly impact consumer spending and inflation. Rising oil prices are of particular concern to individuals who are living on fixed incomes. Higher oil prices have translated into higher prices for gasoline and home heating fuel, placing additional burdens on consumers. Extended periods of high oil prices usually result in an increase in the price of consumer goods as higher costs of transporting these goods to market are passed onto the consumer.



On the other hand, there are significant positive impacts for Newfoundland and Labrador associated with high oil prices. With higher oil prices come increased tax revenues for the province and also increased royalties from the province's producing fields. Higher oil prices can also act as a stimulus for the development of alternative sources of energy, which could be positive in terms of moving forward with the Lower Churchill development. As well, improved oil company cash flows may lead to increased oil exploration efforts off the province's coast which could lead to future oil and gas projects. Higher oil prices might also provide the stimulus needed for the project owners to push forward with the Hebron-Ben Nevis project making it the province's fourth oil producing project.



SeaRose FPSO at Marystown Shipyard

Mining

The mining industry is a significant contributor to the provincial economy, accounting for about 3.0% of GDP and 1.4% of employment. The value of mineral shipments is expected to be $676 million in 2004, representing a 12.4% decrease over last year. This is a substantial downward revision from March when shipment value was expected to increase by 6.9%. Labour disputes at both the Iron Ore Company of Canada (IOC) and Wabush Mines were responsible for the revision.

Iron Ore

Iron ore comprises more than 90% of the value of total mineral shipments and is currently the main driver of industry performance. This year was marked by lengthy labour disputes at both Labrador iron ore mines. The United Steelworkers union and IOC ended an almost three month strike at the Labrador City mine on September 28, 2004 by reaching an agreement that will be in place until February 28, 2007. Workers at the Wabush mine ended a more than three month strike on October 10, 2004, when they voted to accept a five year contract.

With the labour disputes ended, production has resumed at both mines and it is hoped that some of the lost production can be made up during the remainder of the year.

Value of Mineral Shipments

f: forecast

Department of Natural Resources, Economic Research and Analysis Division
Department of Finance

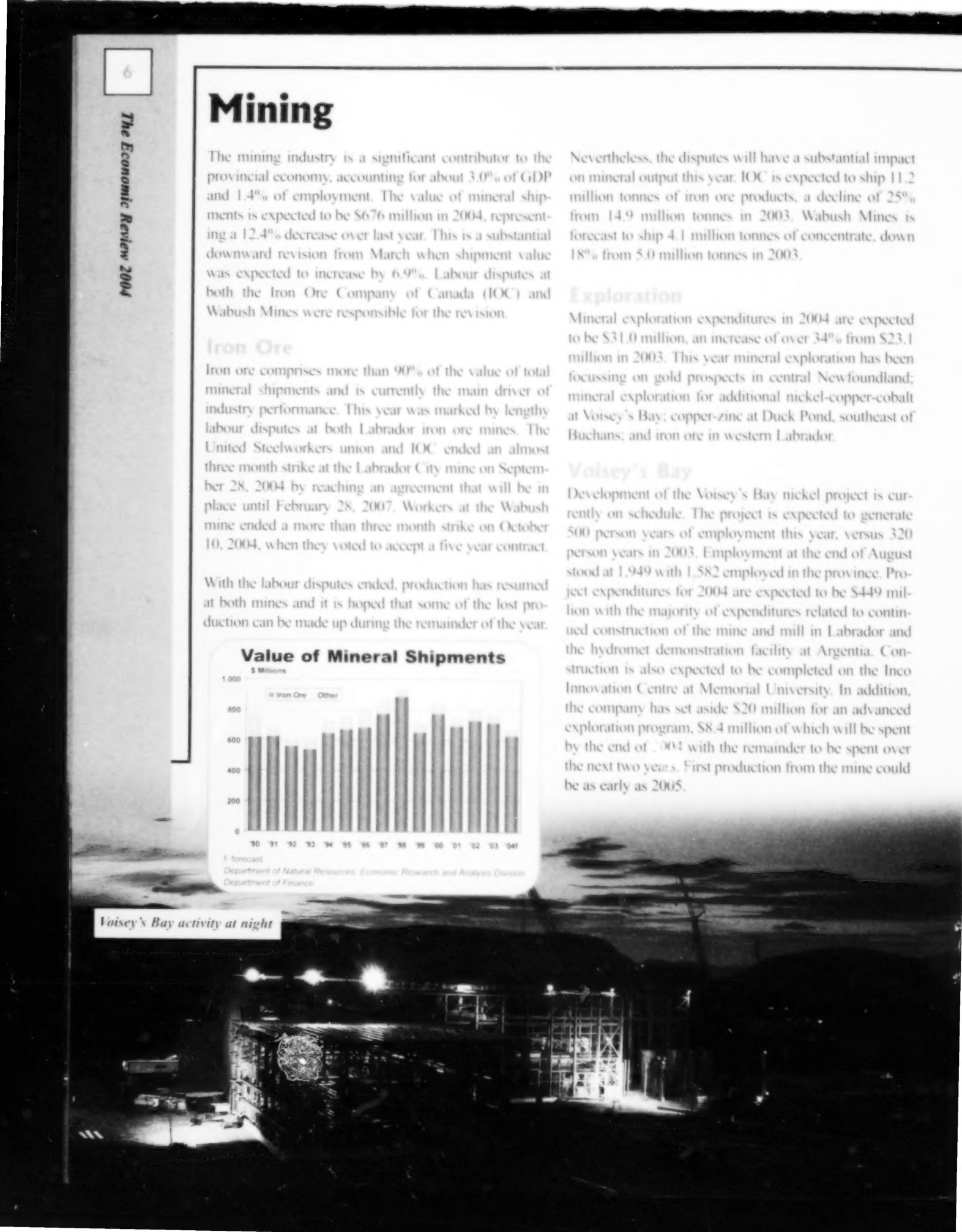
Nevertheless, the disputes will have a substantial impact on mineral output this year. IOC is expected to ship 11.2 million tonnes of iron ore products, a decline of 25% from 14.9 million tonnes in 2003. Wabush Mines is forecast to ship 4.1 million tonnes of concentrate, down 18% from 5.0 million tonnes in 2003.

Exploration

Mineral exploration expenditures in 2004 are expected to be $31.0 million, an increase of over 34% from $23.1 million in 2003. This year mineral exploration has been focussing on gold prospects in central Newfoundland; mineral exploration for additional nickel-copper-cobalt at Voisey's Bay; copper-zinc at Duck Pond, southeast of Buchans; and iron ore in western Labrador.

Voisey's Bay

Development of the Voisey's Bay nickel project is currently on schedule. The project is expected to generate 500 person years of employment this year, versus 320 person years in 2003. Employment at the end of August stood at 1,949 with 1,582 employed in the province. Project expenditures for 2004 are expected to be $449 million with the majority of expenditures related to continued construction of the mine and mill in Labrador and the hydromet demonstration facility at Argentia. Construction is also expected to be completed on the Inco Innovation Centre at Memorial University. In addition, the company has set aside $20 million for an advanced exploration program, $8.4 million of which will be spent by the end of 2004 with the remainder to be spent over the next two years. First production from the mine could be as early as 2005.



Voisey's Bay activity at night

Fishery

The Newfoundland and Labrador fishing industry is expected to record a solid performance in 2004. The amount of fish landed is forecast to be on par with 2003, unchanged from expectations in March. While the volume of landings will approximate last year's level, the value of landings is expected to be somewhat higher in 2004 because of higher crab prices.

Groundfish

Groundfish (e.g., cod, turbot) landings in 2004 are expected to be slightly higher than 2003, as outlined in the accompanying table. The main reason for this increase is higher cod landings due to the re-opening of the Gulf fishery (southwest coast of Newfoundland). While groundfish landings have been increasing slowly over the past several years, they remain at historically low levels.

Landings (metric tonnes)

	2003	2004f	Percent Change
Groundfish	57,000	58,000	1.8%
Pelagics	70,000	72,000	2.8%
Shellfish	174,000	173,000	-0.6%
Total	301,000	303,000	0.7%

f: forecast
Department of Fisheries and Aquaculture

Pelagics

Pelagic landings (e.g., capelin, mackerel, herring) are expected to increase by almost 3% this year primarily due to a much improved capelin fishery. Increased availability of capelin combined with improved market conditions resulted in a harvest of about 32,000 tonnes this year compared with about 22,000 tonnes in 2003.

Shellfish

Shellfish landings are expected to fall slightly in 2004 due mainly to a decline in crab landings. The snow crab is the most important species of the fishery today in terms of employment and income. Crab landings in 2004 are expected to be about 55,000 tonnes versus 58,000 in the previous year. A reduced total allowable catch is behind the decline: approximately 85% of the decrease in quota occurred in NAFO areas 2J and 3PS. Despite the decline in crab landings, the value of the catch rose on the strength of higher prices to fishermen. Crab prices averaged about $2.45/lb in 2004, about 14% higher than the previous year.

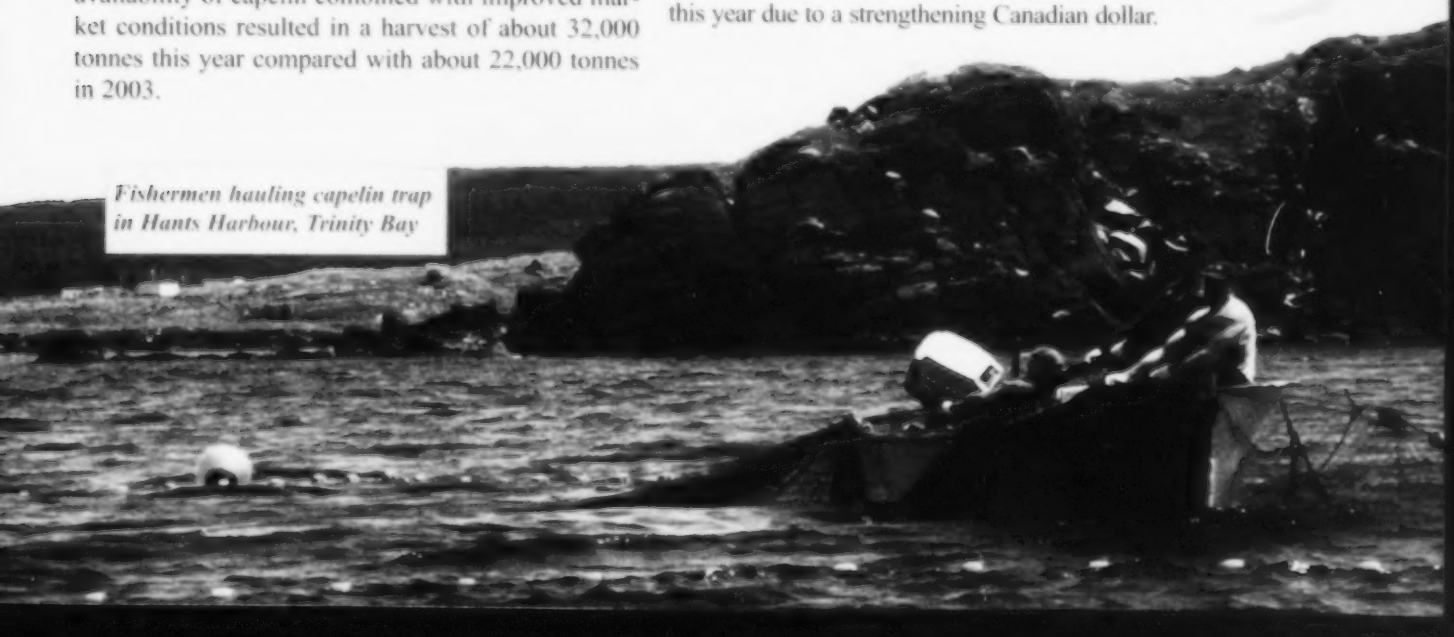
Shrimp is another shellfish species that is a significant contributor to the fishery. Shrimp landings in 2004 are expected to rise slightly to 90,000 tonnes up from 87,000 last year. While concerns about market conditions persist, some improvement was noted in the latter portion of 2004. Stocks continue to remain healthy so, in the short term, the local fishery will be influenced primarily by market trends.

Seals

Sealing activity has increased in recent years as a result of higher demand for seal products. Supported by a strong resource, the number of seals harvested rose from about 289,000 in 2003 to approximately 306,000 in 2004, the highest harvest level recorded in many years.

Seafood Production

While final figures were not available at the time of writing, seafood production values may decline somewhat this year due to a strengthening Canadian dollar.



Fishermen hauling capelin trap in Hants Harbour, Trinity Bay

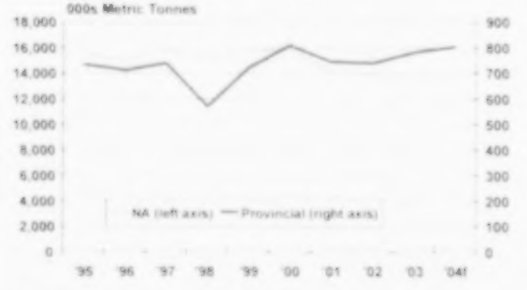
Forestry and Agrifoods

Forestry

Newsprint

Newsprint shipments totalled 538,600 tonnes in the first three quarters of 2004, 7.7% lower than the same period last year. Although shipments were down on a year-to-date basis, the decline was primarily the result of shipping delays rather than production decreases. Barring a prolonged loggers' strike at Abitibi-Consolidated, shipments are expected to improve in the fourth quarter.

North American and Provincial Newsprint Shipments



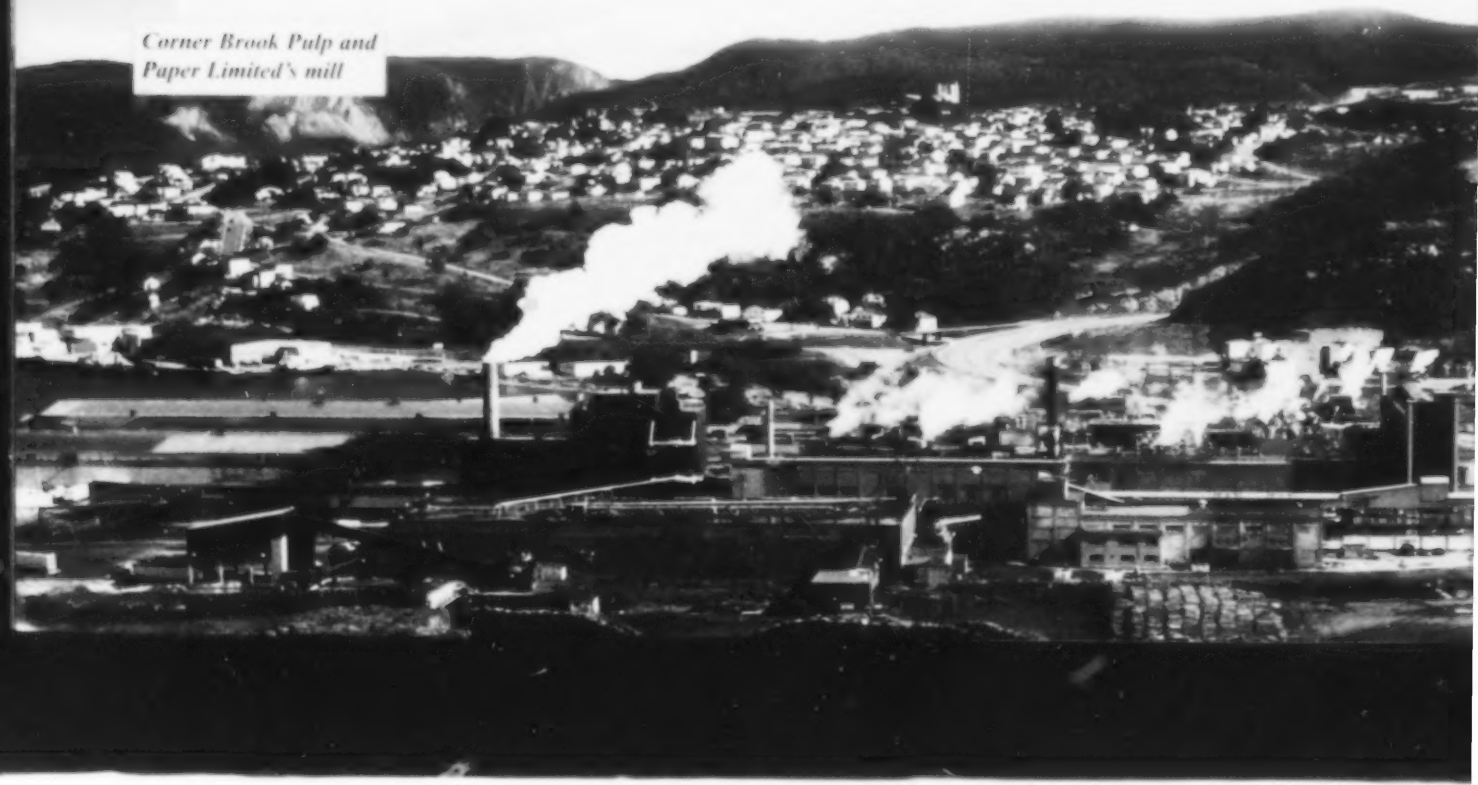
f - forecast
Pulp and Paper Products Council, Department of Natural Resources, Forestry, Research and Analysis Division, Department of Finance

Over the past several years, North American newsprint manufacturers were forced to idle their least efficient mills and increase productivity elsewhere in the face of narrowing profit margins. The removal of this capacity appears to be finally paying off for producers by putting upward pressure on prices. Newsprint prices have slowly increased over the past two years after hitting a trough of US$452 per metric tonne in the second quarter of 2002. At the time of writing, newsprint was trading at US$555 per metric tonne. The estimated value of newsprint shipped from the province in the first nine months was $390 million.

While North American production has declined significantly over the past several years the province's mills have managed to keep shipments at relatively high levels as illustrated in the accompanying chart.

On July 7, 2004, Abitibi-Consolidated and the Communications, Energy and Paperworkers Union (CEP) reached a five year collective agreement providing unionized mill workers with wage increases totalling 11% over the contract term. Negotiations with the company's 400 woodlands workers, however, were unsuccessful. Loggers and silviculture workers set up picket lines at the company's mills in Grand Falls-Windsor and Stephenville on October 5th. The company recently announced that almost 400 mill workers will be laid off at its Grand Falls-Windsor facility in early November as a result of the loggers' strike.

The collective agreement between Corner Brook Pulp and Paper (CBPP) and its woodlands workers expired



Corner Brook Pulp and Paper Limited's mill

on December 31, 2003 and the agreement between the company and its mill workers expired on May 31, 2004. Negotiations with both groups are currently underway.

CBPP recently obtained national certification to CAN/CSA Z809-2002—Canada's national standard for sustainable forest management. This certification applies to almost two million hectares of forest on the island portion of the province.

Newsprint Shipments by Destination, 2003

	Provincial	North American
United States	41%	73%
Canada	3%	8%
Europe	30%	5%
Asia	4%	8%
Latin America	19%	5%
Africa	4%	1%

Pulp and Paper Products Council; Department of Natural Resources; Economic Research and Analysis Division, Department of Finance

Lumber

Lumber production is estimated to have declined by over 30% in 2003-04 to 98 million board feet. This reduction was the result of the shutdown of the province's two largest mills due to a combination of wood supply and financial constraints. Both these mills have since re-opened and production levels are expected to rebound in 2004-05 to about 125 million board feet.

Lumber prices have been soaring in 2004, and are expected to hit a record level of US$410 per thousand board feet by year's end, up 48% over 2003. High levels of residential construction in both Canada and the U.S. have been the catalyst for the sharp price increase.

Agrifoods

Farm Cash Receipts

Total farm cash receipts increased by 4.3% in the first six months of 2004 to $40.5 million. The main contributors to growth were egg production (up 13.9% to $6.7 million); floriculture and nursery products (up 7.2% to $5.8 million); and dairy products (up 5.2% to $14.4 million).

Mink Farms and Fur Tanneries

In recent years there has been renewed interest in the province's potential for commercial scale mink farming and fur tanning operations. The local mink industry has seen the establishment of two commercial mink farms in 2004 and three more are expected to be operational within the next two years. Several local fur producers have also diversified their operations to include mink.

Barry Group Incorporated (BGI), a locally owned and operated company and one of the largest fish processing companies in the province, recently opened a mink farm (NU Mink Inc.) at Cox's Cove on the province's West Coast, utilizing the offal from its nearby fish plant as its primary source of feed. BGI estimates that the mink farm will directly employ more than 15 workers (full and part-time) within five years.

Also, BGI plans to establish a fur tannery (Nu Tan Inc.) in Corner Brook to process mink, seal, fox and beaver hides into value-added products for sale to furriers. The fur tannery will directly employ up to 50 workers within the next ten years.

In addition, two major Danish fur producers, Peter Noer and Eric Dalsager, have established Viking Fur Inc., a commercial mink operation in Cavendish, Trinity Bay, which currently employs five full-time and three part-time workers.

Construction

Total construction investment is expected to grow by 21% to nearly $3.0 billion in 2004 due primarily to continued work on major projects in the resource sector. This builds on growth of 10.8% in 2003. Construction employment averaged 11,900 in the first nine months of 2004, an increase of 24% over the same period last year.

Non-Residential

Non-residential construction investment is expected to total $2.1 billion this year, led by high levels of activity related to the White Rose and Voisey's Bay projects. Mining and oil and gas industries combined are expected to account for approximately 71% of construction expenditures.

In addition to the mega-project activity, there are a variety of other significant non-residential construction projects currently underway in the province including: the world class Humber Valley Resort located in Western Newfoundland; a state-of-the-art sewage treatment facility that will service St. John's, Mount Pearl and a portion of Paradise; a cold storage and offloading shrimp facility in St. Anthony; as well as numerous commercial developments throughout the province.

Construction Industry Indicators

	2003	2004	Percent Change
	$ Millions		
Construction Investment[1]	2,469	2,988	21.0%
Non-Residential	1,622	2,115	30.4%
Residential	846	873	3.2%
Housing Starts (Jan-Sep)	1,915	2,072	8.2%
Employment (Jan-Sep)	9,600	11,900	24.0%

[1] Figures for 2003 are preliminary actual data and figures for 2004 are Department of Finance forecast.

Statistics Canada; CMHC; Economic Research and Analysis Division, Department of Finance

Residential Construction

Growth in residential construction investment continued in 2004. Expenditures on housing construction (not adjusted for inflation) in the province have more than doubled over the past eight years from $417 million in 1996 to $873 million in 2004. In the first six months of 2004 total residential investment was up 18.0%. Renovation expenditures, which account for 55-60% of total residential investment, increased by 13.5% while investment in new housing increased by 18.7%. Housing starts increased by 8.2% in the first nine months of 2004 to reach 2,072 units. Mortgage rates have remained low and this, together with continued income growth, has maintained momentum in housing construction.

While housing activity has been relatively strong during the first nine months of the year, activity is expected to drop off in the fourth quarter. As a result, annual housing starts are forecast at about 2,700—only slightly higher than last year. Total residential investment should be up by 3.2% in 2004.

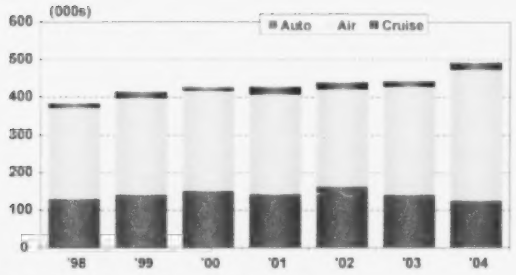
Construction of the concentrator building at Voisey's Bay

Tourism

Tourism spending in the province is estimated at about $800 million per year. Resident travel accounts for about 63% of total spending with the remainder accounted for by tourists from outside the province.

Preliminary figures suggest that non-resident visitors to the province this year could reach 492,200, up from the 441,700 recorded in 2003. Total spending could reach $355 million. These strong gains stand in contrast to the performance elsewhere in Atlantic Canada where either modest gains or losses were recorded. Air and cruise visitors are responsible for the increase in non-resident tourist activity in this province. Gains in both these sectors more than offset the drop in the number of tourists travelling by automobile.

Non-Resident Tourists



Department of Tourism, Culture and Recreation
Note: Air and auto tourist data is subject to revision pending the results from the 2003-04 air and auto exit surveys.

Airport passenger movements increased 13% during the first eight months of this year, with consumers taking full advantage of attractive seat prices and travel packages. This growth was consistent with a busy convention year. The number of delegates travelling to conventions in the St. John's area is expected to be up by about 20% in 2004.

The number of cruise ship passengers visiting the province could reach 20,000 this year, barring any significant cancellations. This will represent an increase of more than 40% over 2003. Approximately 147 port calls are scheduled, compared with 77 last year.

While air and cruise travel has been up this year, the number of tourists travelling by automobile, both resident and non-resident, is down. During the first eight months, the number of non-resident tourists travelling by ferry were down 11% compared with the same period in 2003. Declining auto visits are also reflected in lower visitation at the province's historic sites, museums, Visitor Information Centres, and public and commercial campgrounds. Some of the reasons for the decrease in overall automobile travel this year are escalating gas prices, higher ferry rates, the high value of the Canadian dollar, and border waiting times.

In summary, some areas of the province have benefitted from strong growth in air and cruise visitors this year, however, other regions, more dependent on auto traffic and resident tourism, have experienced declines.

The Queen Mary 2 leaving Corner Brook port as the Aurora approaches

Manufacturing

The manufacturing sector directly accounted for 6.1% of GDP and 7.2% of total employment in the province in 2003. The major commodities produced by the province's manufacturers are food products (mostly seafood), newsprint, refined petroleum products, fabricated metal products, and primary metal products. The province's manufacturers also produce a wide variety of other commodities including: boats, computer and electronic products, and concrete products.

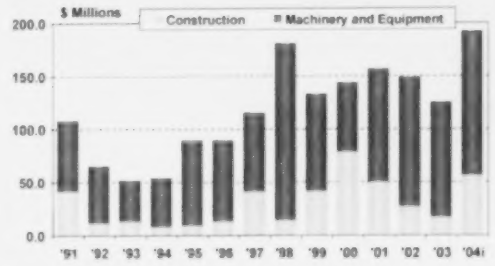
The value of manufacturing shipments grew by 9.4% over its year-earlier level in the first eight months of 2004 and is on track to exceed $3 billion for the first time ever by year's end. Growth was broadly based with strong increases in the value of both durable and non-durable goods. This strong growth was the result of higher production levels combined with increased commodity prices. The value of durable good shipments rose by 16.1%, mainly as a result of increased development activity on the White Rose and Voisey's Bay projects. Non-durable good shipments, which account for the bulk of manufacturing shipments, increased by 6.6% primarily as a result of increases in the value of fish products and refined petroleum.

Manufacturing Employment - 2003

Food Manufacturing	7,100
Fish Processing	6,400
Wood Product Manufacturing	700
Paper Manufacturing	1,900
Petroleum Products Manufacturing	800
Transportation Equipment Manufacturing	1,500
Other Manufacturing	3,600
Total Manufacturing	**15,600**

Statistics Canada's Labour Force Survey

Investment in Manufacturing



i Investment Intentions
Statistics Canada, Economic Research and Analysis Division, Department of Finance

Capital investment in the province's manufacturing sector has exceeded $100 million in every year since 1997 and this year it is expected to approach $200 million with significant increases in both construction and machinery and equipment expenditures. This solid performance is primarily the result of high levels of investment in seafood, newsprint, refined petroleum and wood product manufacturing.

Nu Way Kitchens Ltd., Paradise

Statistical Indicators, 2003

	Real GDP (1997$ Millions)	Employment Person Years (000s)
Goods Producing Industries	**5,000.5**	**45.1**
Agriculture	53.3	1.6
Forestry & Logging	98.0	0.8
Fishing & Trapping	239.5	8.8
Mining & Oil Extraction	2,769.0	6.1
Manufacturing	808.9	15.6
Fish Products	188.6	6.4
Other	620.3	9.2
Construction	623.2	10.0
Utilities	408.6	2.3
Services Producing Industries	**8,288.2**	**172.7**
Wholesale Trade	505.1	4.9
Retail Trade	734.4	31.6
Transportation & Warehousing	436.1	13.0
Finance, Insurance, Real Estate, & Leasing	1,966.9	7.3
Business, Building & Other Support Services	180.0	8.2
Professional, Scientific & Technical Services	321.8	7.8
Educational Services	733.8	16.3
Health Care & Social Assistance	1,117.0	33.1
Information, Culture & Recreation	616.0	7.6
Accommodation & Food Services	234.8	13.7
Public Administration	1,178.8	16.6
Other Services	263.5	12.4
Total, All Industries	**13,288.8**	**217.8**

Note: GDP is expressed at basic prices, measuring payments made to the owners of factor inputs in production. This differs from GDP at market prices. The difference is attributable to taxes less subsidies on products.

Statistics Canada; Economic Research and Analysis Division, Department of Finance

www.economics.gov.nl.ca

Population Projections

New

Population Projections by:

- New School Districts
- Provincial Judicial Centres

Coming in Early 2005:

- Updated Population Projections